

Subpart A—Net Worth Classification

§ 702.101 Measures and effective date of net worth classification.

(a) *Net worth measures.* For purposes of this part, a credit union must determine its net worth category classification at the end of each calendar quarter using two measures:

(1) The net worth ratio as defined in § 702.2(g); and

(2) If determined to be applicable under § 702.103, a risk-based net worth requirement.

(b) *Effective date of net worth classification.* For purposes of this part, the effective date of a federally-insured credit union's net worth category classification shall be the most recent to occur of:

(1) The last day of the calendar month following the end of the calendar quarter; or

(2) The date the credit union's net worth ratio is recalculated by or as a result of its most recent final report of examination; or

(3) The date the credit union received written notice from NCUA or, if State-chartered, the appropriate State official, of reclassification on safety and soundness grounds as provided under §§ 702.102(b) or 702.302(d).

(c) *Notice by credit union of change in net worth category.* (1) When filing a quarterly or semi-annual Call Report, a federally-insured credit union need not otherwise notify the NCUA Board of a change in its net worth ratio that places the credit union in a lower net worth category;

(2) A federally-insured credit union which files its Call Reports semi-annually shall give written notice to the NCUA Board and, if State-chartered, to the appropriate State official, of a change in its net worth ratio for the quarters ending March 31 and September 30, if that change places the credit union in a lower net worth category, *provided however*, that this paragraph does not apply when a credit union has been notified by NCUA or, if State-chartered, by the appropriate State official, of a change in its net worth ratio that places the credit union in a lower net worth category;

(3) Written notice as required under paragraph (c)(2) of this section shall be given no later than 15 calendar days after the effective date of the change in net worth category, and shall be deemed given upon receipt by the appropriate Regional Director and, if State-chartered, by the appropriate State official.

(4) Failure to timely file a Call Report or to timely provide notice as required under this section in no way alters the effective date of a change in net worth classification under this subparagraph, or the affected credit union's corresponding legal obligations under this part.

[65 FR 8584, Feb. 18, 2000; 65 FR 55439, Sept. 14, 2000]

§ 702.102 Statutory net worth categories.

(a) *Net worth categories.* Except for credit unions defined as “new” under subpart B of this part, a federally-insured credit union shall be classified (Table 1)—

(1) *Well capitalized* if it has a net worth ratio of seven percent (7%) or greater and also meets any applicable risk-based net worth requirement under §§ 702.103 through 702.108; or

(2) *Adequately capitalized* if it has a net worth ratio of six percent (6%) or more but less than seven percent (7%), and also meets any applicable risk-based net worth requirement under §§ 702.103 through 702.108 below; or

(3) *Undercapitalized* if it has a net worth ratio of four percent (4%) or more but less than six percent (6%), or fails to meet any applicable risk-based net worth requirement under §§ 702.103 through 702.108; or

(4) *Significantly undercapitalized* if it

(i) Has a net worth ratio of two percent (2%) or more but less than four percent (4%); or

(ii) Has a net worth ratio of four percent (4%) or more but less than five percent (5%), and either—

(A) Fails to submit an acceptable net worth restoration plan within the time prescribed in § 702.206; or

(B) Materially fails to implement a net worth restoration plan approved by the NCUA Board; or